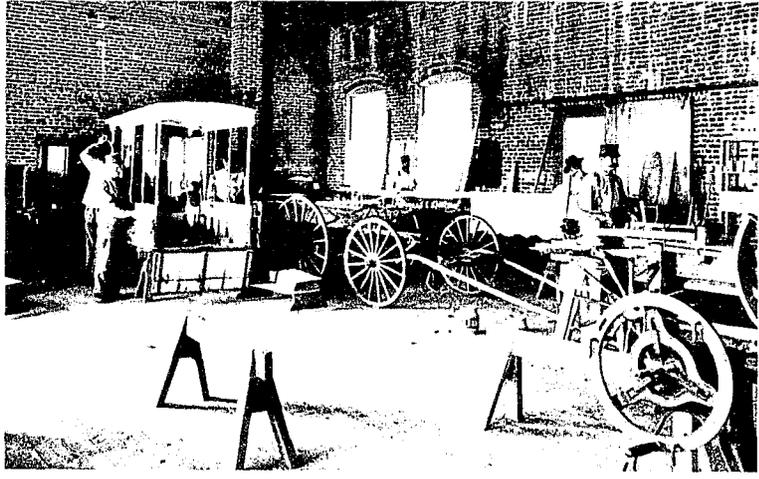
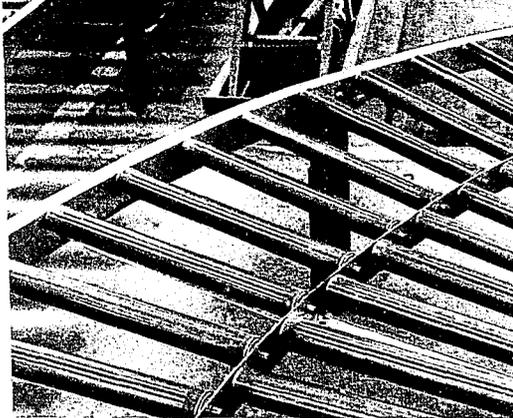




Annual Report 1984



50th Anniversary 1934 1984



U.S. Department of Justice
National Institute of Justice

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James V. Bennett

James V. Bennett was Director of the Bureau of Prisons from 1937 to 1964. He was also the first Commissioner of Federal Prison Industries, Inc. In

that capacity, he was the primary architect of the legislation introducing and establishing industries in the Federal Prison System.

John Marshall Briley President of the Board of Directors

As president of the Board of Directors for Federal Prison Industries, I am proud to share in the celebration of our 50th anniversary. The corporation has made much improvement in a number of important areas. A commitment to excellence has been made by continuing our programs to maintain and improve quality, and by keeping abreast of

developments in the private sector. This year we have strengthened the commitment to quality by instituting a new quality enhancement program which will be expanded shortly to all factories. Through this, we hope to achieve and maintain a reputation for quality products and services that equal or surpass that offered in the private sector.

Norman A. Carlson Director of the Federal Bureau of Prisons

Federal Prison Industries has experienced dramatic growth during the past 50 years. Industries has had a significant impact on reducing inmate idleness, especially during periods of over-

crowding. Continued expansion to enhance inmate employment is vital to the management of the Federal Bureau of Prisons.

Myrl E. Alexander Retired Director of the Federal Bureau of Prisons

Federal Prison Industries has been the cornerstone of the Federal Prison System for a half century. From caseworker in 1931 to director and commissioner of Federal Prison Industries, I witnessed the creation and phenomenal development of the corporation. It eliminated idleness throughout the system, provided training in a wide

variety of employable work skills, enabled inmates to contribute to family support and generate savings for use at release. Simultaneously, in times of war or peace, depression or economic growth, the corporation has made contributions to the nation's social and economic challenges. The corporation's role is unparalleled in the history of correctional management.

NCJRS

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ACQUISITIONS

Federal Prison Industries, Inc. (UNICOR) celebrated its 50th year of operation in 1984.

The corporation was established by an Act of Congress, U.S. Code Title 18, Sections 4121-4128, on June 23, 1934. The mission is to provide training and employment for inmates at Federal Correctional Institutions, and also be a self-sustaining corporation.

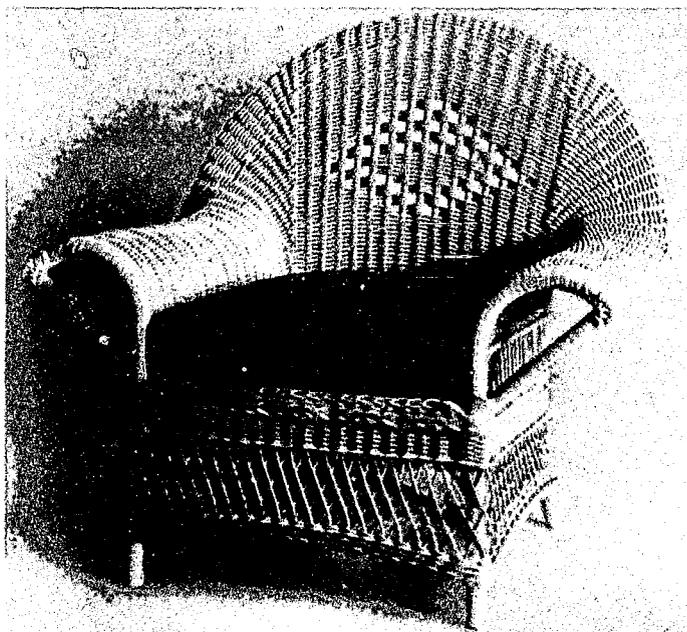
Fifty years later, UNICOR has remained financially self-sufficient. The corporation has been a successful venture since it not only provides employment and training but also pays inmates modest compensation for working in its factories and supports a portion of the cost of their vocational training. UNICOR also funds performance pay awards for inmates that work in areas outside its factories such as food service and laundry details.

In 1984, UNICOR's inmate employment reached an all time high of 9000. This was an increase of 14 percent from 1983. This employment figure is projected to exceed 10,000 in 1985. Such growth can be attributed to the expansion of UNICOR's industrial operations, in response to an escalating Federal Prison population.

In 1983 and 1984 a total of \$40,551,000 was allotted from UNICOR generated funds for 53 construction and modernization projects at 41 institutions. Twenty-five institutions are currently involved in on-going projects which, when completed, will add the potential for employing 2,742 additional inmates. Construction projects were undertaken in anticipation of an increase in the number of inmates confined to federal correctional institutions.

In 1984, sales and earnings surpassed all records. Sales to government agencies amounted to \$200 million with net earnings of \$28.8 million from operations.

UNICOR has been able to remain self-sufficient by staying abreast with private sector technologies. Record sales are a result of a commitment to excellence in the area of quality control and of expanded marketing efforts. The corporation has contracted with a private firm to enable UNICOR to implement a formal quality enhancement program at all of its operations. UNICOR has also made staff training and development a high priority with programs ranging from the introductory to the very specialized. UNICOR looks to the future through its research and development program, to ensure that its products and services will meet the needs of government agencies.

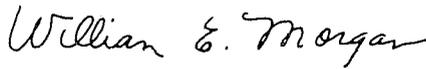


Since UNICOR was created in 1934, it has remained self-sufficient and has experienced significant growth. Through its diversified operations UNICOR is able to provide for increased employment and training for inmates, and has been able to fund vocational training and performance pay programs for inmates. In this manner, it has contributed to the overall mission of the Federal Bureau of Prisons.

The past fifty years have been exciting years for UNICOR. Prospects for the future should be even more challenging, since the corporation has invested in numerous programs adapted from private industry. This policy will, we hope, contribute substantially to continued growth of UNICOR and its capacity to support correctional programs within the Federal Prison System.



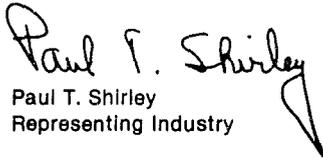
John Marshall Briley, President
Representing the Secretary of Defense



William E. Morgan, Vice President
Representing Agriculture



Lane Kirkland
Representing Labor



Paul T. Shirley
Representing Industry



Monica Herrera Smith
Representing Retailers and Consumers

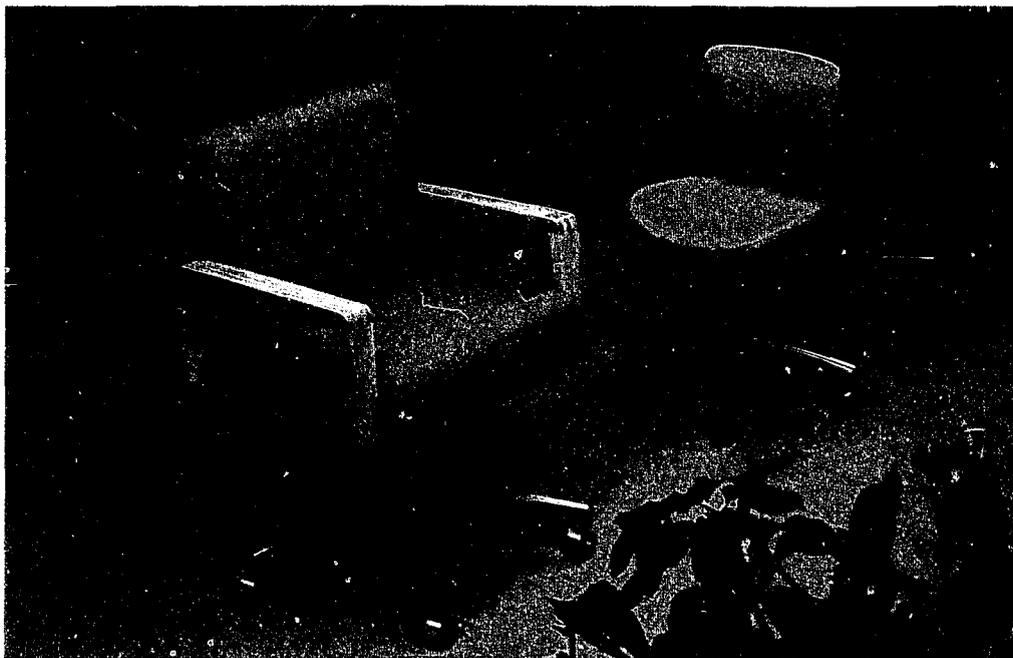


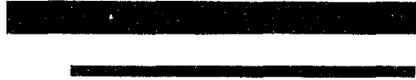
Peter B. Bensinger
Representing the Attorney General

Attest:



Paul Plein, Secretary / Deputy
Associate Commissioner



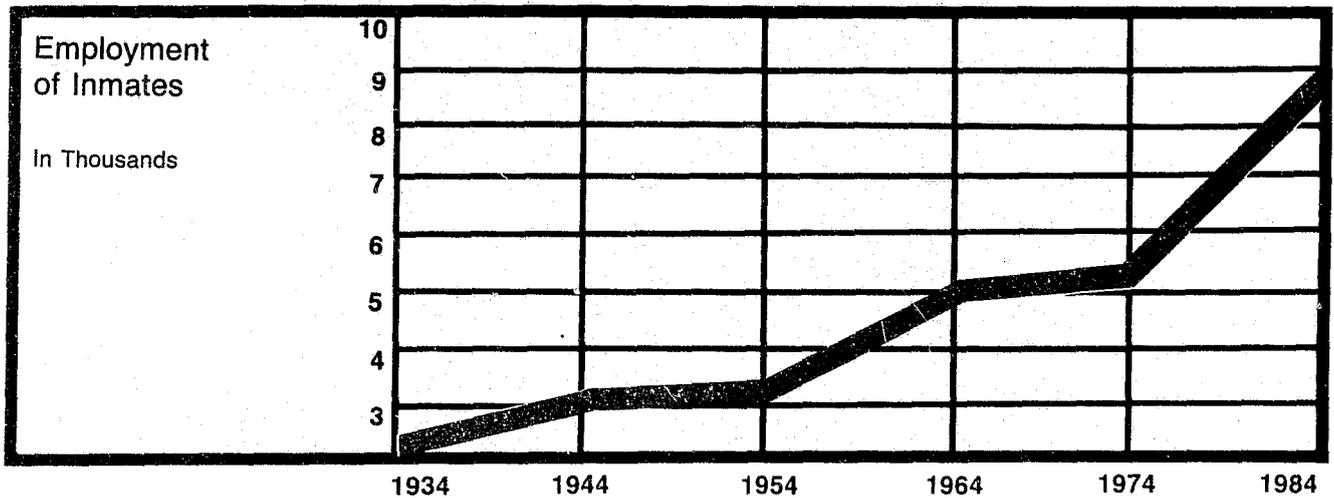
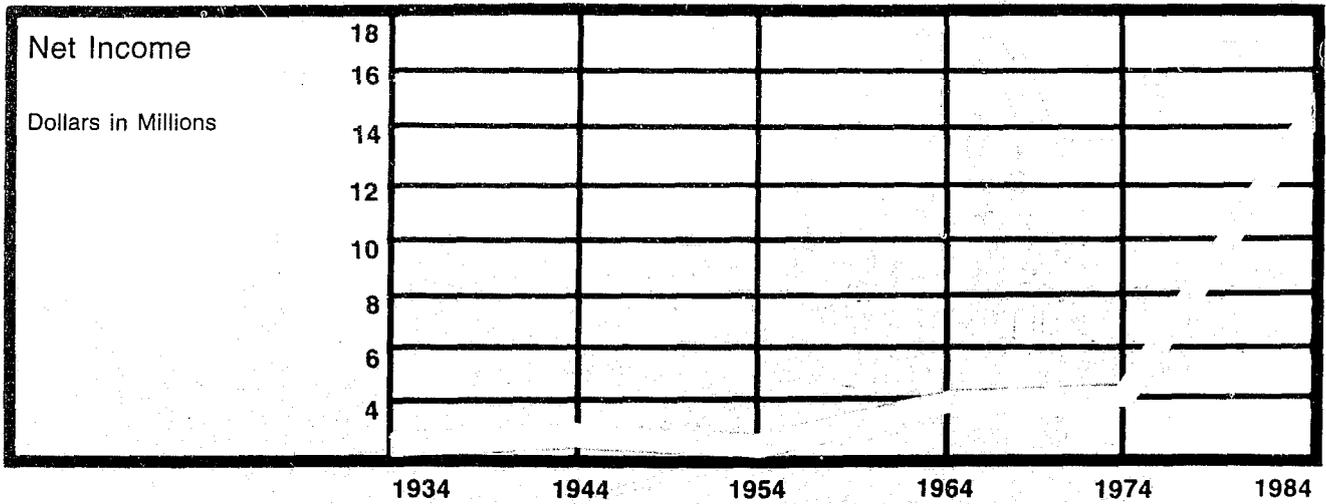
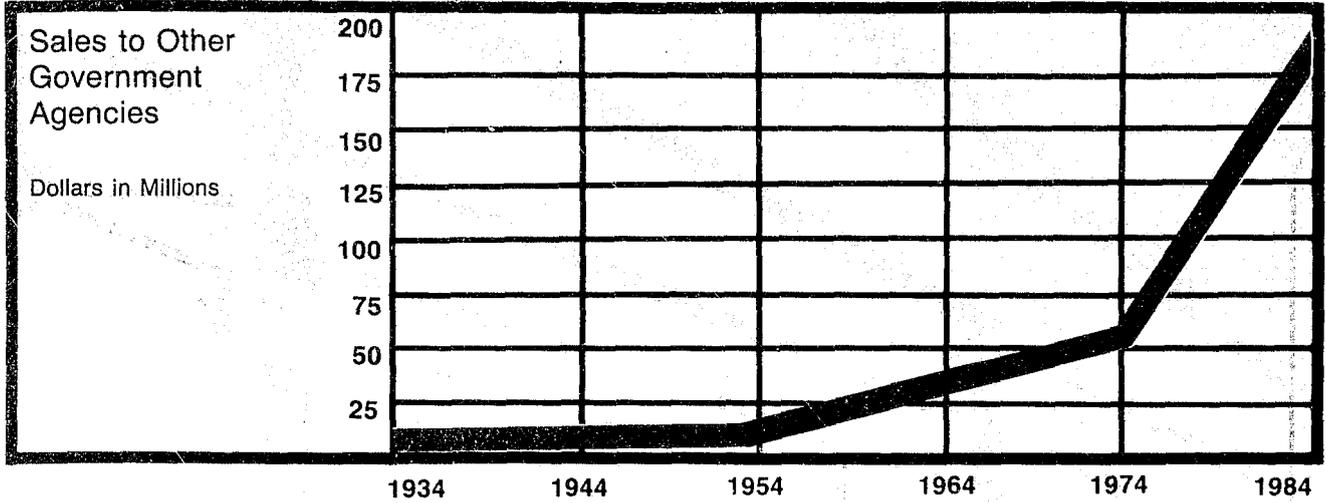


UNICOR provides employment and training for inmates of Federal correctional institutions through:

- The diversity of products and services it provides to other Federal Agencies.
- Training in entry-level skills, factory on-the-job training, certified apprenticeship training, and the financing of Federal Prison System vocational training programs.
- A broad program of industrial operations conducted in such a manner as to offer a minimum of competition to private industry and labor.
- The search for and development of new training-oriented industries, utilizing skills in demand in the labor market.
- Employment that provides inmates with work, occupational knowledge and skills, and funds for personal expenses and family assistance.
- Federal Prison Industries, Inc. (UNICOR) established in 1934, operates under the provisions of Title 18 United States Code Section 4121-4128.



Financial Sales



In 1930, the Bureau of Prisons was created by Congress in order to promote a centralized federal prison system. In 1934, Federal Prison Industries, Inc. was established by reorganizing the industrial operations existing in federal correctional institutions. This wholly owned government corporation was authorized by an Act of Congress (Public Law No. 461, 73rd Congress) on June 23, 1934, and created by Executive Order No. 6917, dated December 11, 1934, to provide for the training and employment of prisoners confined to facilities operated by the Bureau of Prisons. The corporation was charged with providing a diversified program of industrial production that offered minimal competition to private industry and labor. Its products and services could be sold only to agencies and departments of the federal government. In addition, the corporation was to provide for meaningful vocational training programs for inmates.

James V. Bennett, former Director of the Bureau of Prisons, was the first commissioner of the corporation, and was the prime architect of the legislation establishing Federal Prison Industries.

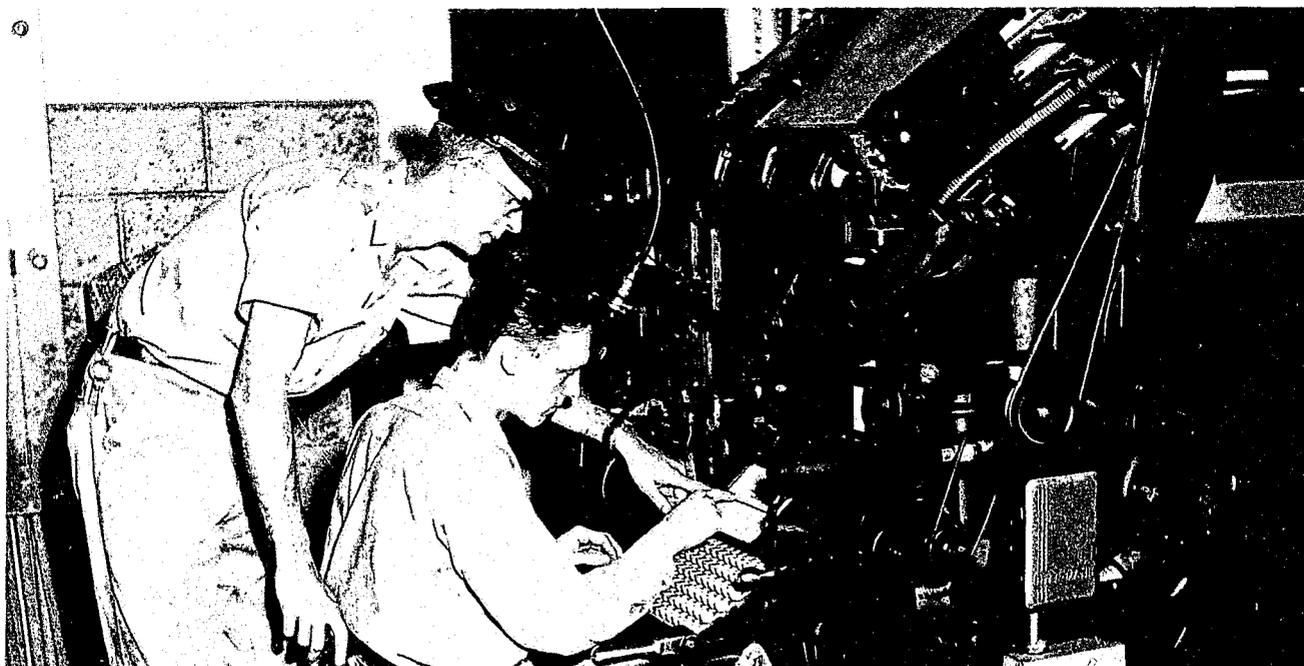
A board of directors was established to represent the varied public and private interests in prison industries and to address their concerns. Five

members were appointed by the President of the United States to represent labor, agriculture, industry, consumers and retailers, and the Attorney General; a sixth appointment to represent the Department of Defense was made in 1949. Early in 1935, the Board determined that a policy of self-sufficiency should be promoted for Federal Prison Industries, and that appropriations from Congress would not be required or requested to operate the corporation.

In operation, in 1935, were a cotton duck and textile mill at Atlanta, and boot, shoe and brush/broom factories at Leavenworth. Once industries became incorporated, it began to diversify through production of goods such as shirts, blouses, gloves, hardware, wood and metal furniture, beds, and lockers.

The Bureau of Prisons and Federal Prison Industries were emerging at a time when opposition to prison industries was strong. Various interest groups succeeded in passing a series of restrictive legislation that prohibited the sale of prison made goods on the open market.

In July of 1942, to stimulate production for the war effort, President Roosevelt signed an Executive



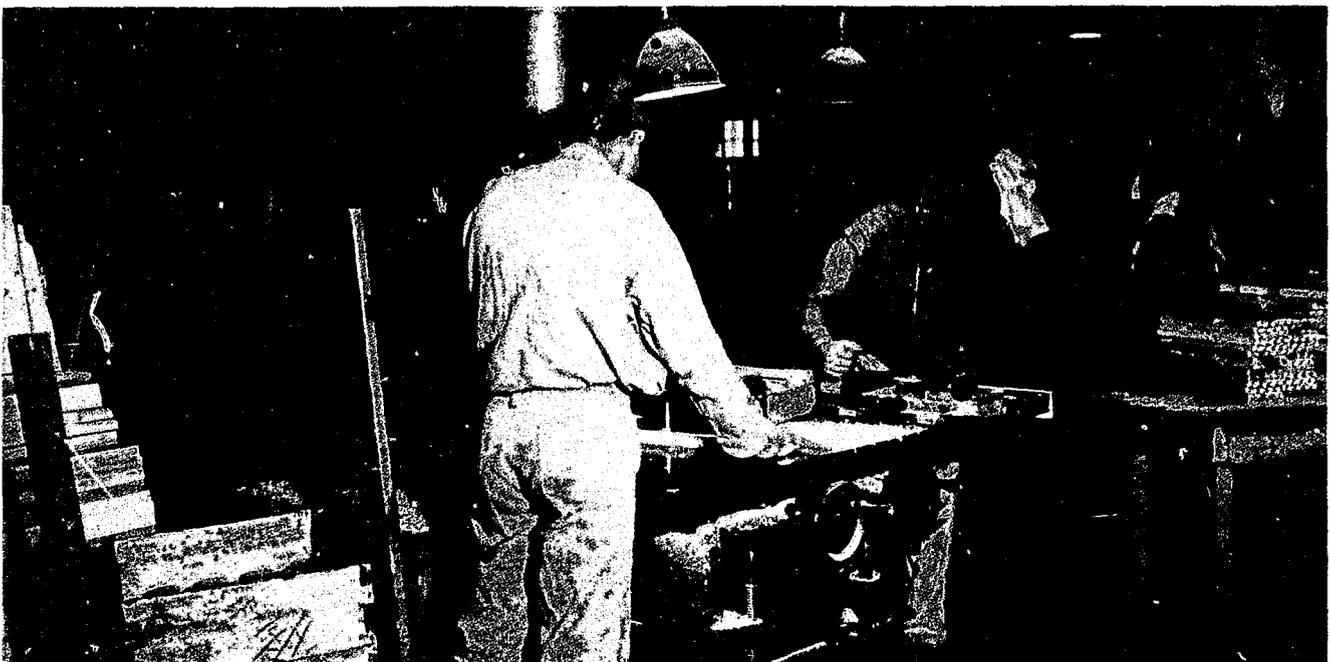
Inmate working on Linotype 1949

Order which temporarily removed most of the constraints imposed on prison industries. Inmates made unprecedented contributions to the war effort through increased production of war materials. Industrial operations were converted to produce component and finished items used in the defense of our country. Products included bomb fins, gun brushes, a variety of armament and support goods, brushes, shoes, textiles, mattresses, canvas, food trays, metal shelving, and other metal specialties. Approximately 95 percent of the corporation's production consisted of goods involved in the war effort. Thus, World War II provided the opportunity for prison industries to demonstrate their value to the taxpayers and the federal government. This effort proved that with the proper administration of prison industries, an excellent return on investment could be achieved.

After the war, the country was confronted with a shortage of raw materials and supplies and the corporation experienced a significant decrease in sales. However, Federal Prison Industries was able to pay its first dividend of almost \$5 million to the treasury that year. This equalled the net worth of the total assets turned over to the corporation when it received its charter on January 1, 1935.

Several years later, in response to an increasing inmate population, Federal Prison Industries began to expand its operations. In the 1950's, new shops and factories were built to employ and train additional inmates. The corporation established electronics and rubber industries, office machine repair shops, furniture refinishing factories and expanded its garment industry. These new construction and renovation projects were funded from earnings, thereby enabling the corporation to reinvest in its operations.

Throughout its history, Federal Prison Industries has continued to respond to the Bureau of Prisons need to provide additional work opportunities to a growing inmate population. This has been accomplished through steady expansion and diversification of operations. The corporation also has recently placed special emphasis on initiatives which approximate successful private industries. During the 1970's, the corporation began to develop plans for an automated information system for storing and processing financial and operating data. Major product divisions were formed in order to be more responsive to the needs of federal agency customers. An industrial design division



Inmates working with wood planer 1950

was established to improve the quality and acceptability of products and to explore and promote new technologies. Staff training was given high priority in order to enhance management techniques. A corporate quality assurance office was also established to manage the overall quality assurance program for the corporation. In 1978, the trade name, UNICOR, was adopted.

The corporation continues to make significant strides in staying abreast with private industry technologies. An extensive construction, modernization, and renovation program has been initiated to keep production techniques equivalent to those of successful businesses in the private sector.

Among the new products researched and marketed in the 1980's are the Kevlar (plastic molded) combat helmet for the Department of Defense; firearms silhouette targets for federal law enforcement agencies; a gas-cylinder powered swivel chair; a military bed with a laminated wood headboard in a steel frame; a one-quarter mile communication cable assembled for field use by the Army; a jet engine starter cable designed for the Air Force; prescription eyeglasses; modular/systems furniture; computer furniture; ship-

board furniture; light kits; foot lockers; bedspreads; and electrical connectors.

Federal Prison Industries continues producing goods and services that traditionally offer a stable market such as metal and wood furniture; electronic cables; data entry; printed materials; signs; weather instruments; parachutes; blankets; canvas; cotton goods; pajamas and other apparel; gloves; mattresses; brushes and brooms.

Staff training is continually being diversified, most recently with the addition of management courses at the staff training center in Aurora, Colorado and the appointment of a UNICOR representative at the staff training center in Glynco, Georgia. Furthermore, courses in production planning and job specialty training are conducted by the private sector for UNICOR employees. These include individualized programs such as seminars, trade shows, and visits to private companies with similar factories.

The corporation contracts with several private industry consultants to conduct studies of industrial operations to determine the feasibility of creating, improving, or discontinuing certain product lines.



Inmates sewing garments 1955

The Automated Production Evaluation and Control System (APECS), a computer system designed to coordinate and streamline the production process from the placement of orders for raw materials through delivery of finished goods to the customer, became fully operative at all UNICOR industrial locations in 1984.

A corporate marketing division was established in 1983 to further expand and diversify sales opportunities. The division has introduced the corporation to a number of federal agencies with procurement needs who were not aware of UNICOR operations. The scheduling of four major Trade Exhibitions was one method utilized to publicize UNICOR's mission and expand the marketplace. A series of procurement seminars with various government agencies were also held to broaden UNICOR's potential market. The division conducts research to ascertain the types of products in current and future demand by federal government agencies and the feasibility of UNICOR manufacturing and marketing those products.

UNICOR established four major business priorities in 1983. These initiatives are quality, on time delivery, sales volume, and favorable profit margin.

Quality and the corporation's "search for excellence" have provided the catalyst to change the nature of the corporation to a "real business" entity. UNICOR has established its defect-free policy by issuing a product warranty, guaranteeing the quality of the merchandise, with each shipment of goods. The corporation has implemented a formal quality assurance program by training quality assurance specialists at the Quality College in Winter Park, Florida. The instructors will share their expertise with all UNICOR industrial locations. This program will also be applied in non-UNICOR areas as a service to the Bureau of Prisons.

UNICOR is participating in a Loaned Executive Program with I.B.M. to gain expertise and consultation in the areas of operations and management techniques.

A Business Advisory Council at the electronics factory, F.C.I., Danbury, Connecticut, is being

utilized to enhance UNICOR's ability to prepare inmates for meaningful work opportunities upon release to the community. Business representatives from the community provide real "world of work" feedback and expertise to inmates.

UNICOR, through its many endeavors to emulate successful private industry, has become a model for other correctional industries to follow. Chief Justice Warren E. Burger's concern with the consequences of crowding and idleness resulted in a national conference in June, 1984. The conference has served as an invitation for private industry to become more involved with corrections in its attempt to reduce idleness, provide job training, and place released inmates in community employment. A task force evolved from the conference and is delegated the responsibility of developing and implementing strategies to educate the public and private sector with regard to prison industries and to develop blueprints of several models of prison industries. The Bureau of Prisons and UNICOR have taken an active role in these efforts.

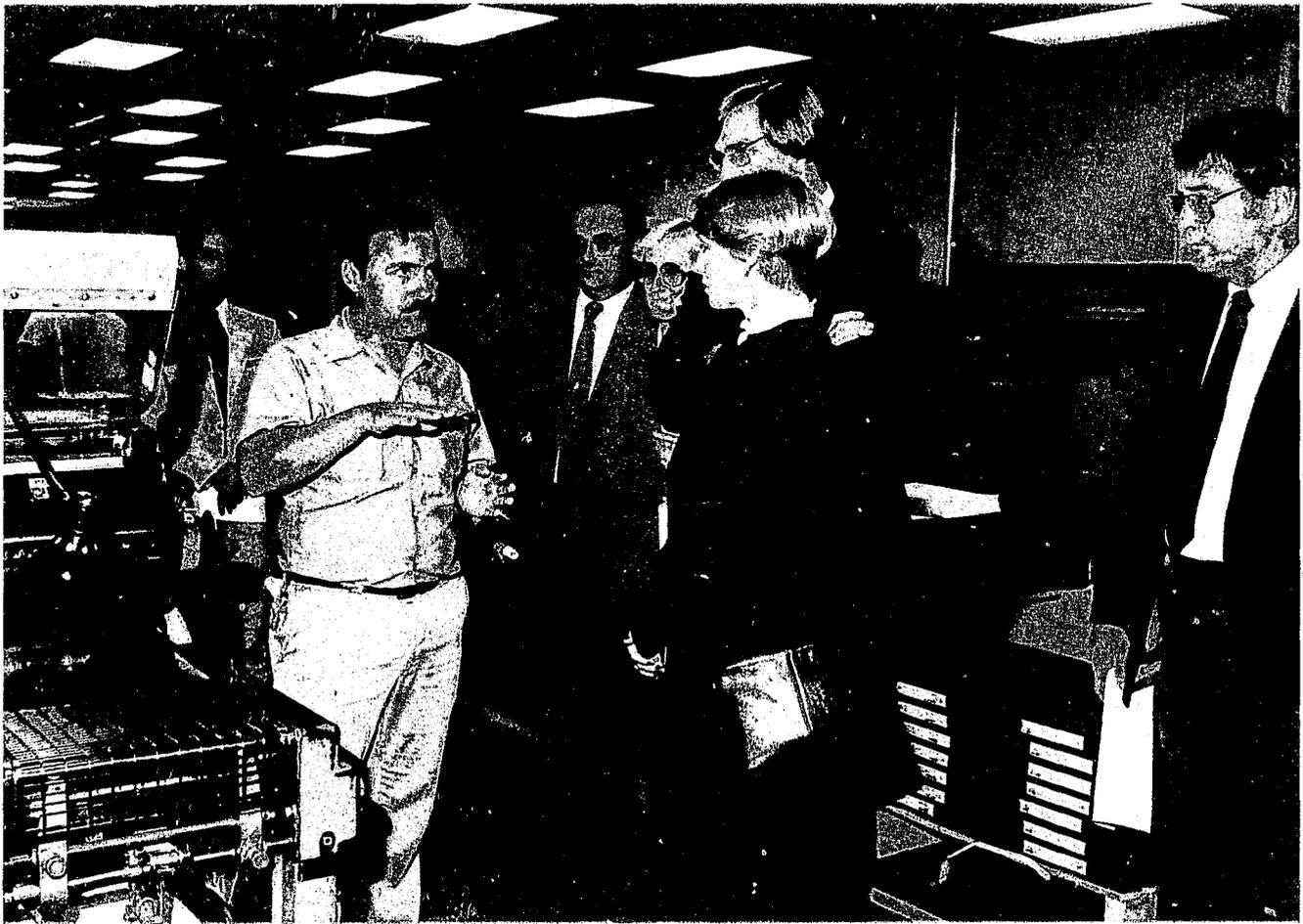
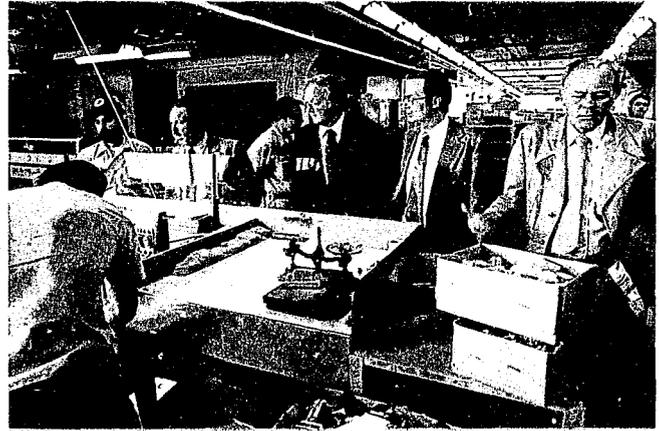
At the end of September, 1984 the corporation was employing 9,000 inmates or 38 percent of the available inmate work force. Sales exceeded \$200 million with net earnings from operations of \$28.8 million. UNICOR was operating 75 shops and factories in 41 of the 45 institutions in the Federal Prison System.

Federal Prison Industries, Inc. (UNICOR) has had an exciting history despite unique constraints involved in operating with an inmate work force. Since its inception, UNICOR has not only remained self-sufficient but has expanded significantly to help meet the needs of the Bureau in dealing with record high inmate population levels. Industries has been a viable correctional program for incarcerated federal offenders by providing employment and training opportunities. It remains a valuable management tool in the professional operation of our federal correctional institutions. UNICOR will continue to play a key role in corrections by providing vocational training and meaningful work opportunities for inmates; an idea developed by James V. Bennett that has evolved into the operating philosophy of Federal Prison Industries.

50th Anniversary Celebration

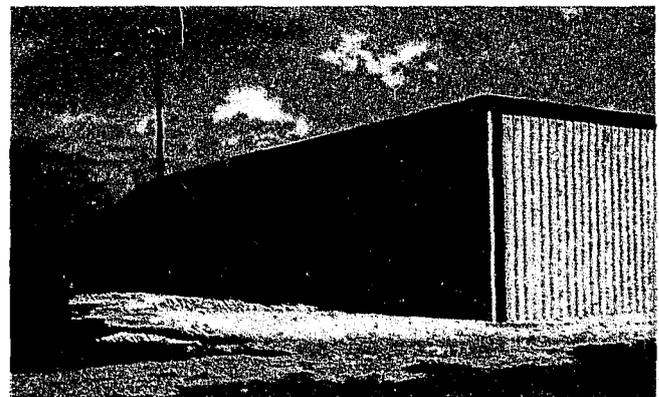
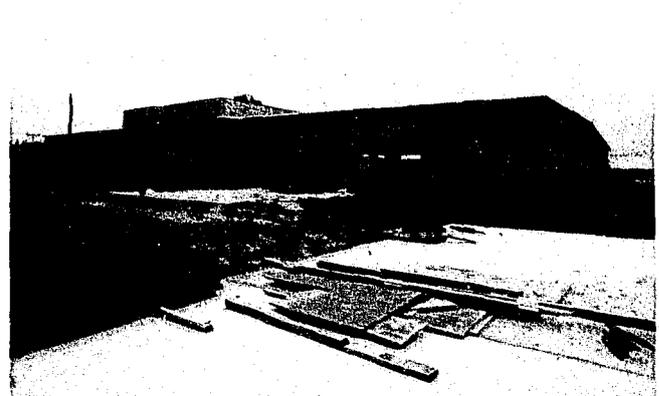
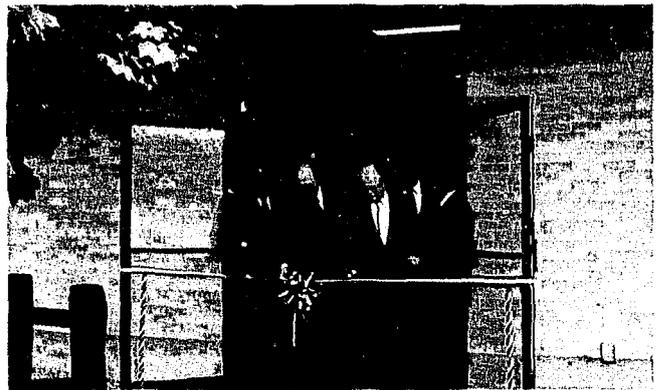
Many institutions joined in the 50th Anniversary celebration by hosting an Industries Open House. The purpose was to recognize the role that UNICOR plays in complementing institutional

operations and to open the doors to the community and the private sector. In this way, Industries would gain community support and stimulate future business for the Corporation.



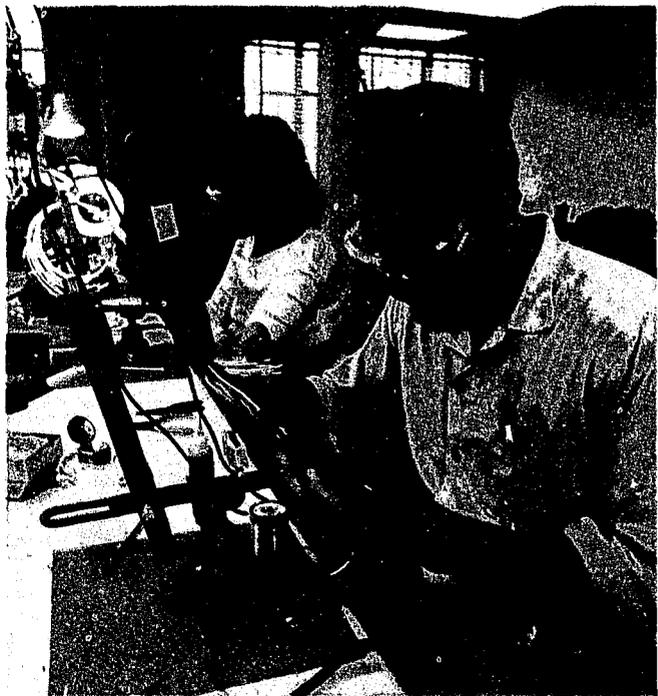
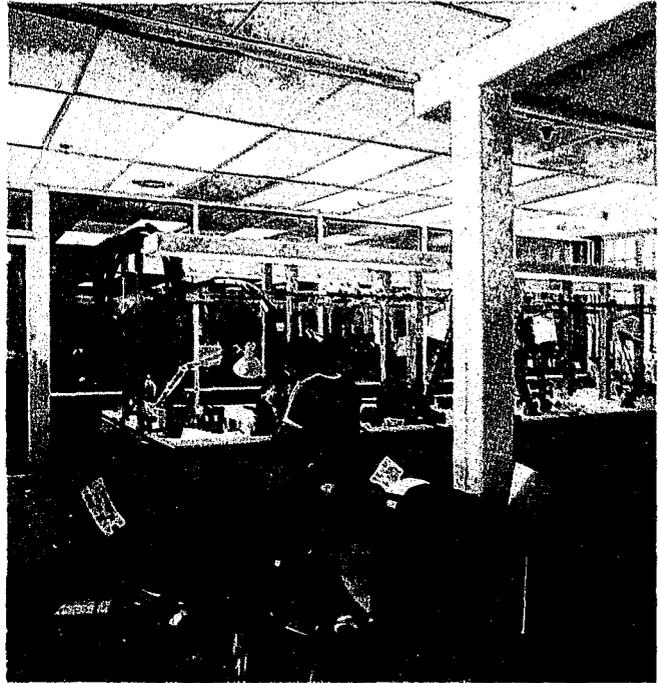
An extensive construction and renovation program continued this year. A total of 53 major construction projects at 41 institution locations are either underway or have been completed. These include modernization and renovation programs such as new factory complexes, warehouse and factory additions, and equipment modernization; all of which will permit

UNICOR to assure production capabilities equivalent to those in the private sector. Additional employment of approximately 2,750 inmates will be possible when these projects are completed. These expansion projects were planned to coincide with the Bureau's immediate and future needs to provide job opportunities for an increasing inmate population.



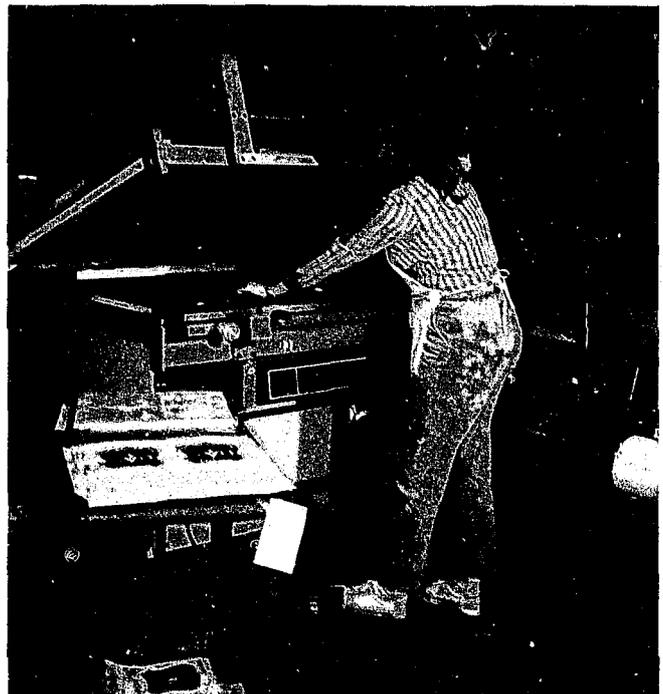
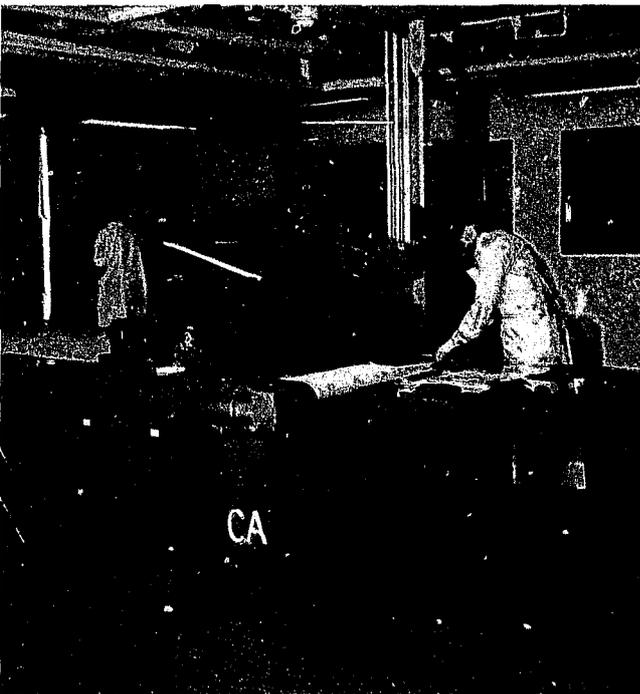
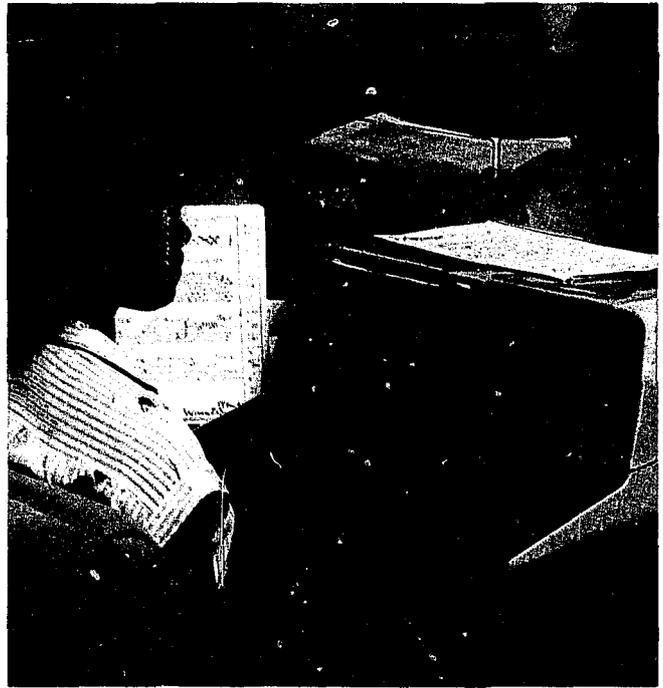
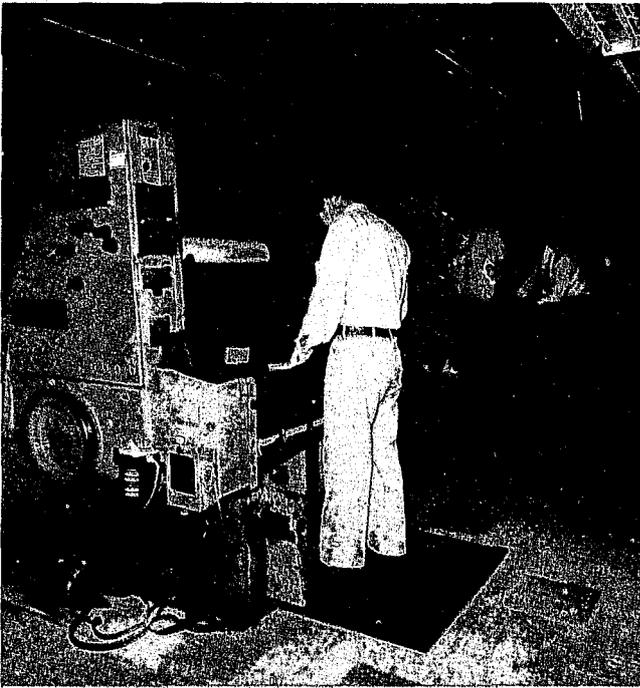
The Electronics Divisions unique operations include wiring devices of all types, electrical cable assemblies, electronic wiring harnesses, printed circuits, electronic systems support, and the remanufacture of vehicular electronics systems.

The division operates laboratories to test the reliability of certain products manufactured by UNICOR and for items submitted by federal agencies for evaluation.



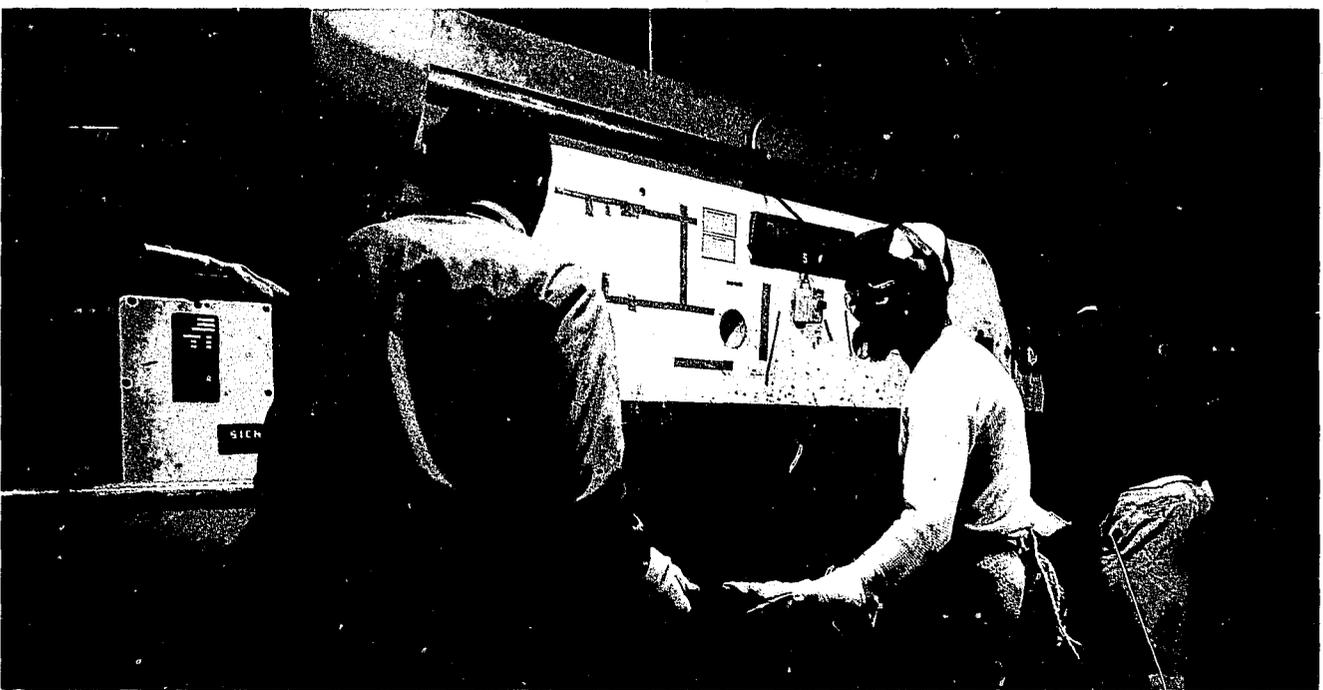
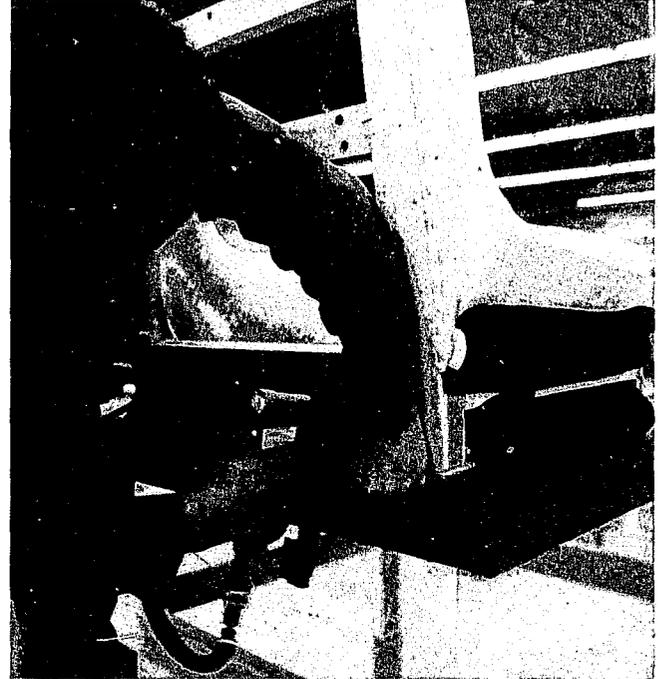
The Data/Graphics Division employs federal inmates by providing products and services for the federal government that run the gamut from data encoding services such as key punch, key-to-tape,

and telecommunications transmission; printing services; to the manufacture of signs, decals, and plaques.



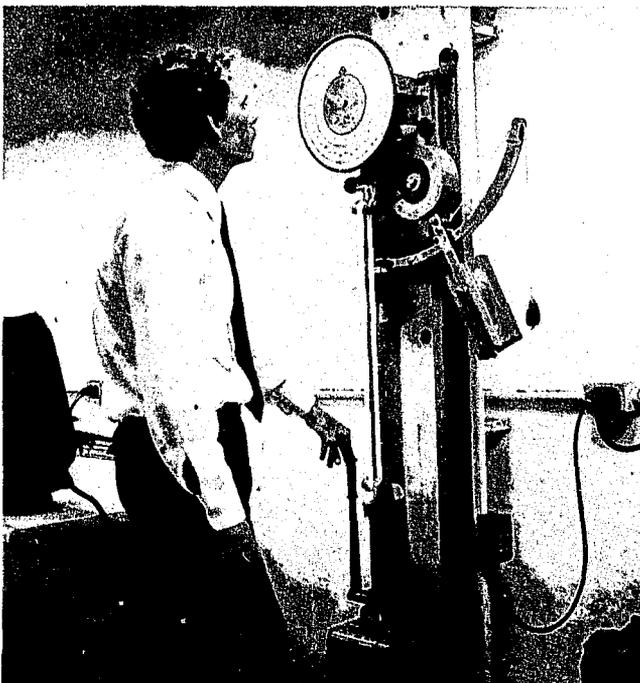
The Metal, Wood, and Plastics Division operates factories that manufacture many types of furniture, upholstery products, plastics, helmets, and metal

products. The division operates a testing laboratory to evaluate the longevity of certain products.



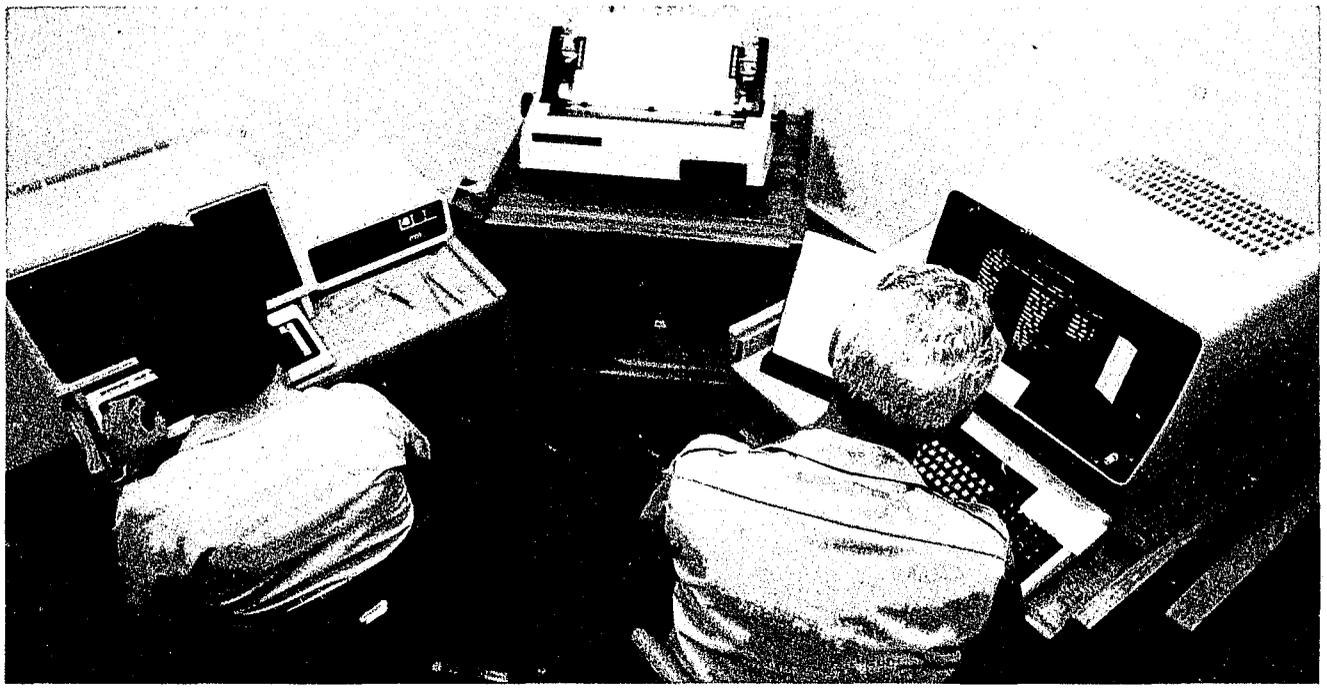
The Textiles and Leather Product Division manufactures cotton and wool textiles, canvas and canvas goods, synthetic textile products, mattresses,

clothing, weather parachutes, shoes, brooms, bed linens, and gloves.



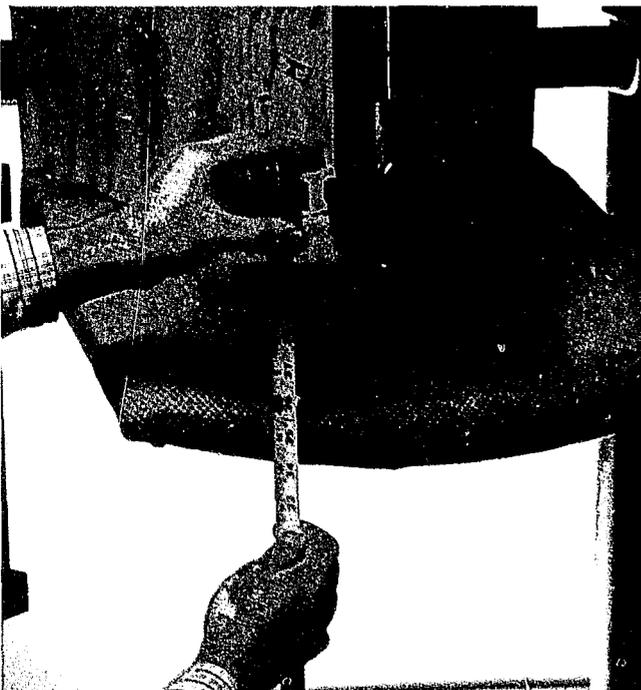
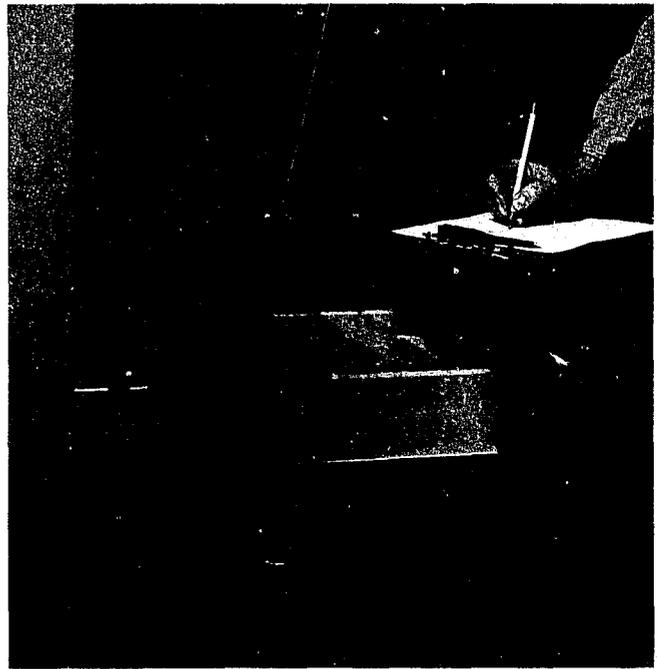
The Automated Production Evaluation and Control System (APECS) is a computer system designed to coordinate and improve the production process

from the placement of orders through the delivery to the customer. During 1984, installation was completed at all UNICOR industrial facilities.



The corporation operates quality testing laboratories at the Memphis, Tennessee and the Allenwood, Pennsylvania factories. The laboratories implement testing procedures for UNICOR products and for other products submitted by federal govern-

ment agencies. The procedures test the reliability of products at certain altitudes, temperatures, and at advanced stages of aging. A testing report is formulated as to the reliability and the predicted life span of the product.



Fiscal year 1984 was the first full year for the Marketing Division. A Trade Exhibition was one method that the division used to expand the potential market by introducing UNICOR to federal agencies not aware of its existence. Similar shows were held at Atlanta, Denver, Fort Worth, and Dallas. Marketing Seminars were provided by the division

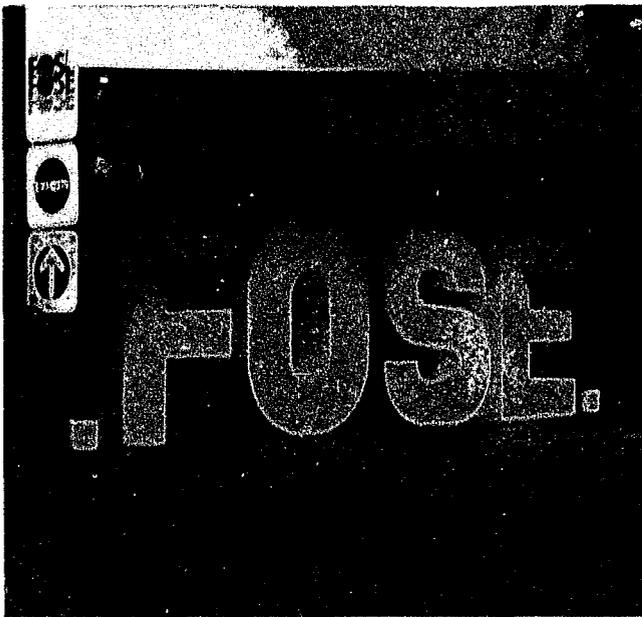
to acquaint federal agencies with UNICOR'S products and services. The division conducts research to ascertain the types of products in current and future demand by federal government agencies and the feasibility of UNICOR manufacturing and marketing those products.



Federal Office Systems Expo

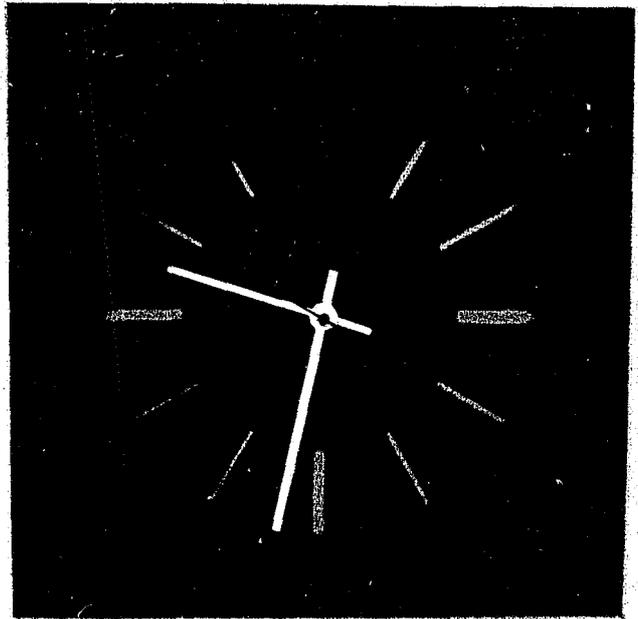
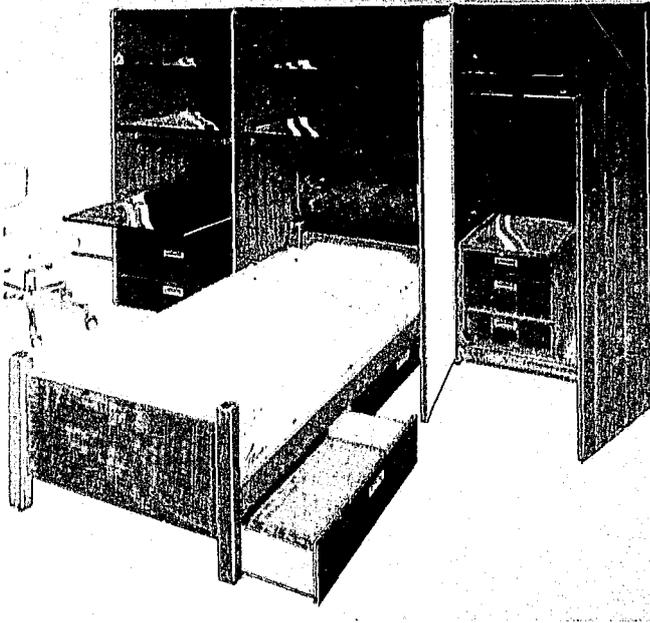
The Federal Office Systems Exposition was held at the Washington, D.C. Convention Center and attracted over 30,000 attendees from all levels

of federal, state and local government. UNICOR featured its new line of computer support and modular office furniture.



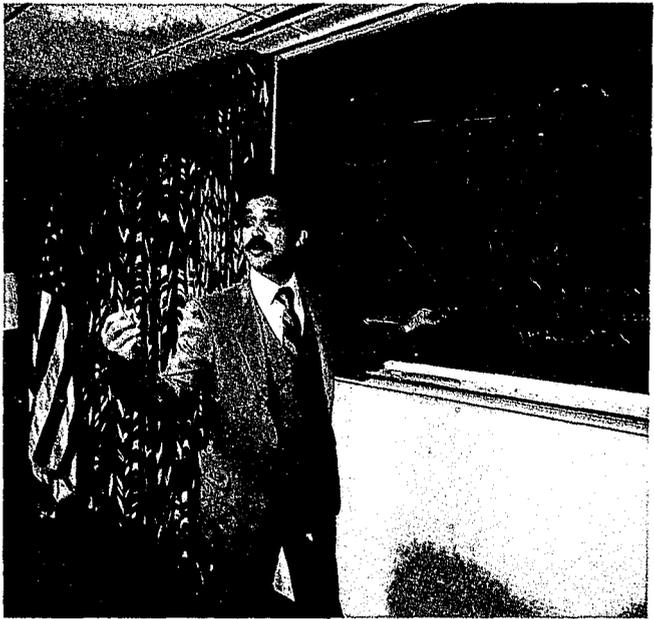
The Industrial Design Division was established to improve the quality and acceptability of products and to promote new technologies. Once a market has been determined, the division develops the plans and specifications for manufacturing pro-

ducts. Most recently, the division has developed a line of computer and systems furniture. Presently under development are ergonomic chairs and quartz clocks, lamps and a new line of metal furniture.



A corporate-wide excellence improvement process was established in 1984. Phillip Crosby Associates has been contracted to train and certify UNICOR's quality excellence specialists. This formalized train-

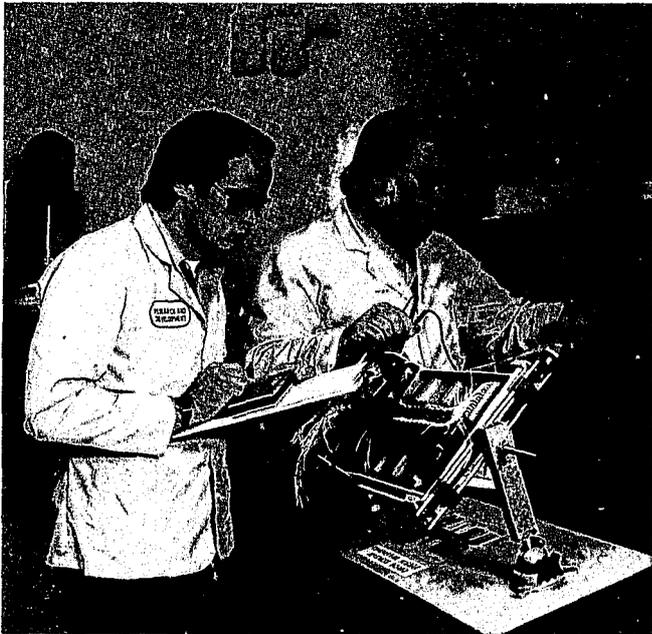
ing will familiarize UNICOR with the expertise necessary to establish and operate a quality enhancement program at all industrial operations.



Research and Development

In 1984 the corporation's research and development laboratory at the Danbury, Connecticut factory became fully operational. The objective of the laboratory is to develop the technology to manufacture products that at one time were too complex for our

production capabilities. Eventually, UNICOR will have the technical knowledge to manufacture components that we now must purchase and will be able to expand its product lines.



UNICOR is striving to stay abreast with private sector technologies. A Business Advisory Council, chaired by George Kennelly, Assistant Vice President, Community and Educational Relations for New York Telephone, is instrumental in offering UNICOR business expertise in preparing inmates for meaningful work upon release to the community.

Additionally, UNICOR began its first executive loan program with the private sector in 1984. John E. Farley, an I.B.M. Executive, is providing invaluable knowledge in the area of operations and management techniques.

Another very exciting development occurred in 1984. Chief Justice Warren E. Burger's concern with the

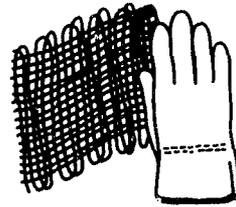
consequences of overcrowding and idleness in our nation's correctional institutions resulted in a national conference in June that was sponsored by the George Washington University and the Brookings Institution. The conference served as an invitation to private industry to become more involved with corrections in job training, placement of inmates, and reducing idleness. A Task Force comprised of representatives from private industry, the corrections field, legislators, academia, and concerned citizens evolved as a result of the conference. The role of this task force will be to develop and implement strategies to educate the public and private sector, with regard to prison industries and to develop blueprints of several models of prison industries.



**Metal,
Wood
and
Plastics**



**Textiles
and
Leather
Products**



Totals

Allenwood, PA Milan, MI 26 Plants
 Ashland, KY Morgantown, WV
 Bastrop, TX Petersburg, VA
 Chicago, IL Pleasanton, CA
 Duluth, MN Seagoville, TX
 El Reno, OK Talladega, AL
 La Tuna, TX Tallahassee, FL
 Leavenworth, KS Terminal Island, CA
 Lewisburg, PA Texarkana, TX
 Lompoc, CA

Alderson, WV New York, NY 23 Plants 72 Plants
 Atlanta, GA Otisville, NY
 Big Spring, TX Pleasanton, CA
 Butner, NC Ray Brook, NY
 Duluth, MN Safford, AZ
 Danbury, CT San Diego, CA
 Leavenworth, KS Sandstone, MN
 Lexington, KY Terre Haute, IN
 Miami, FL Tucson, AZ

Executive furniture, general office furniture, dormitory furniture, upholstery products, plastics, helmets, liferaft, containers, metal products, metal bunk beds, ID Tags, Casters, locking cord fasteners, refinishing, brushes, desk trays, metal shelving, baskets, wood parts, nameplate holders, wheel chocks.

Cotton and wool textiles, canvas, canvas goods, synthetic textile products, mattresses, clothing, weather parachutes, shoes, brooms, bed linens, and gloves.

Department of Defense
 General Services Administration
 U. S. Postal Service
 Veterans

U. S. Postal Service
 Department of Defense
 General Services Administration
 Veterans Administration

2,940	2,684	7,644
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62,659,087	82,031,470	200,164,586
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*This includes an additional 1,356 inmates employed in support areas.

September 30, 1984 and 1983

Assets	1984	1983
Current Assets		
Cash	\$ 7,223,573	\$ 15,644,463
Accounts Receivable (Note 2)	28,436,180	22,956,811
Inventories		
Finished Goods	12,554,914	8,646,068
Work In Process	13,187,835	9,199,403
Materials and Supplies	40,852,764	38,416,991
Total Current Assets	102,255,266	94,863,736
Plant and Equipment		
Machinery and Equipment	39,164,200	31,569,095
Accumulated Depreciation	(17,503,252)	(14,598,738)
Buildings and Improvements	33,179,170	29,382,975
Accumulated Depreciation	(11,915,563)	(11,043,108)
Construction in Progress	15,540,556	5,144,412
Total Plant and Equipment	58,465,111	40,454,636
Other Assets		
Excess Inventory, net (Note 3)	1,911,859	5,879,991
Idle Plant and Equipment, net (Note 4)	1,736,676	3,446,130
Prepaid and Deferred Expenses	2,552,220	1,569,655
Total Other Assets	6,200,755	10,895,776
Total Assets	166,921,132	146,214,148
Liabilities and U.S. Government Equity		
Current Liabilities		
Accounts Payable	\$ 11,680,042	\$ 7,088,929
Accrued Salaries and Wages	2,430,835	2,178,615
Other Accrued Liabilities	2,719,596	1,633,320
Total Current Liabilities	16,830,473	10,900,864
Employee Accrued Leave	2,375,220	2,161,255
Total Liabilities	19,205,693	13,062,119
U.S. Government Equity		
Initial Capital	4,176,040	4,176,040
Donated Property	608,712	1,079,994
Cumulative Results of Operations	142,930,687	127,895,995
Total U.S. Government Equity	147,715,439	133,152,029
Total Liabilities and U.S. Government Equity	\$166,921,132	\$146,214,148

The accompanying notes are an integral part of these financial statements.

For Fiscal Years Ended September 30, 1984 and 1983

	1984	1983
Sales	\$200,164,586	\$153,700,012
Returns & Allowances	684,905	118,921
Net Sales	199,479,681	\$153,581,091
Cost of Goods and Services Sold (Note 5)	158,062,403	124,302,483
Gross Profit	41,417,278	29,278,608
Other Operating Income, net (Note 6)	640,210	337,574
Other Operating Expenses		
Other Expenses (Note 7)	3,976,723	4,257,610
Selling and Samples	581,855	586,791
Product Division Expenses (Note 8)	4,103,484	3,189,791
Support Division Expenses (Note 9)	2,640,165	1,393,172
Corporate Administrative Expenses (Note 10)	1,922,834	2,572,802
Income Before Non-Operating Expenses	28,832,427	17,616,016
Non-Operating Expenses (Note 11)		
Inmate Performance Pay	5,369,641	4,818,822
Vocational Training Expenses	7,132,675	5,691,820
Net Income From Continuing Operations	16,330,111	7,105,374
Less Discontinued Operations (Note 12)	1,295,419	355,565
Net Income	15,034,692	6,749,809
Cumulative Results of Operations, Beginning	127,895,995	121,146,186
Cumulative Results of Operations, Ending	\$142,930,687	\$127,895,995

The accompanying notes are an integral part of these financial statements.

For Fiscal Years Ended September 30, 1984 and 1983

	1984	1983
Sources of Working Capital:		
Net Income	\$ 15,034,692	\$ 6,749,809
Add (Deduct) Items not Requiring Outlay of Working Capital:		
Depreciation Expense	\$ 3,617,960	\$ 2,896,811
Amortization Expense	500,785	412,229
Reclassification of Inventory	2,895,739	-0-
Write-off of Assets:		
Fixed Assets	3,645,473	813,293
Prepaid & Deferred Expenses	294,795	997,149
Excess Inventory	1,072,393	1,269,049
Recapture on Donations	(471,282)	(209,420)
Funds Provided from Operations	26,590,555	12,928,920
Other Sources:		
Increase in Employee Accrued Leave	213,965	186,067
Total Sources of Working Capital	26,804,520	13,114,987
Uses of Working Capital:		
Acquisition of Fixed Assets	9,528,093	8,860,422
Construction Expenditures	14,036,362	3,922,630
Charges to Prepaid & Deferred Expenses	1,778,144	540,054
Reclassification of Inventory	-0-	2,450,476
Total Uses of Working Capital	25,342,599	15,773,582
Net Increase (Decrease) in Working Capital	\$ 1,461,921	\$ (2,658,595)

Analysis of Changes in Working Capital

	Increase (Decrease)	
Current Assets		
Cash	\$ (8,420,890)	\$ (4,785,651)
Accounts Receivable	5,479,369	3,788,426
Inventory	10,333,051	2,483,127
Increase (Decrease) in Current Assets	7,391,530	1,485,902
Current Liabilities		
Accounts Payable	4,591,113	3,341,731
Accrued Salaries and Wages	252,220	414,868
Other Accrued Liabilities	1,086,276	387,898
Increase (Decrease) in Current Liabilities	5,929,609	4,144,497
Net Increase (Decrease) in Working Capital	\$ 1,461,921	\$ (2,658,595)

The accompanying notes are an integral part of these financial statements.

The Corporation's consolidated financial statements are subject to triennial examination by the General Accounting Office, the last of which was conducted for fiscal year 1982. The next is scheduled for fiscal year 1985. Therefore, the statements for fiscal year 1983 and 1984 presented herein are unaudited.

The Corporation has a unique relationship with the Bureau of Prisons in that the nature of our

missions requires sharing of facilities and responsibilities relative to the custody of federal inmates and management of related programs for training and employment. The result of this relationship is that the Corporation receives and provides some services and resources such as building space and equipment without recognized revenue or cost. The benefits received by each organization are both tangible and intangible and offset each other as nearly as practicable.

1.) Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Corporation's financial statements.

Statement Presentation — The financial statements include the accounts of the Central Office and the industrial facilities at 40 penal and correctional institutions. Inter-industry transactions, including corresponding profit or loss, have been eliminated in consolidation. Sales are to other government agencies or private contractors working on government contracts and are recorded at the time of shipment. Financial statements and notes for Fiscal Year 1983 have been restated to reflect changes in classification of Other Expenses.

Plant and Equipment — Plant and equipment are capitalized at cost or appraised value and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs, and other minor renewals are expensed as incurred. When properties are disposed of through the General Services Administration, the related cost and accumulated depreciation are removed from the respective accounts with any loss on disposal charged against income. The straight-line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on the useful life guidelines established in the Revenue Procedures 62-61, issued by the Internal Revenue Service.

Machinery, equipment and buildings purchased for Vocational Training programs are expensed as received. Prior to 1982, such expenditures were

charged to Corporate asset accounts and depreciated as used.

Property donated to the Corporation by other government agencies without exchange of funds is charged to the applicable asset account at fair market value. As this property is used, both expense and revenue in equal amounts are recognized on the Statement of Operations, as well as accompanying adjustments reducing the applicable asset accounts and equity accounts for the amount used. Prior to 1982, donated property was capitalized and depreciated.

Inventories — Inventories are valued at the lower of cost or market. Raw materials and supplies inventory is valued using the moving average cost method. Work in process inventory includes material, labor, and applied overhead costs based on a standard for that operation. These costs are developed by using either process or job order cost systems.

Disbursements in Transit — Disbursements in transit to U.S. Treasury at year-end are recorded when vouchers are approved for payment by the Corporation. Prior to 1982, disbursements were recognized only upon return of approved vouchers from the U.S. Treasury.

Pensions — Employees of the Corporation are covered by the Civil Service Retirement and Disability Fund. Consequently, the Corporation has the responsibility for withholding 7% (normal retirement) or 7½% (hazardous retirement) of each employee's salary and for contributing a matching amount to the fund.

Notes

2.) Accounts Receivable

Accounts receivable consist of amounts due principally from government agencies and all are considered collectable. Accounts receivable from the public is merchandise paid for and returned to vendors for replacement or credit. Accounts that were 120 days or more overdue totaled \$643,000 (2.3%) as of September 30, 1984, as compared with the September 30, 1983 amount of \$594,000 (2.6%).

	FY 1984	FY 1983
Government Agencies	\$ 27,261,932	\$ 22,065,217
Employee Travel Advances	417,618	263,258
Public	756,630	628,336
Total Accounts Receivable	\$ 28,436,180	\$ 22,956,811

3.) Excess Inventory, Net

A temporary reclassification has been made to raw materials and finished goods inventories which have no immediate utility to the Corporation. The total includes slow moving as well as excess inventory. The following is a summary of excess inventory by Product Division and type of inventory. Net value of \$1,278,154 for Fiscal Year 1984 and \$512,294 for Fiscal Year 1983 has been charged to Other Expense and an allowance established for obsolescence.

	1984		
	Raw Materials and Supplies	Finished Goods	Total
Data/Graphics	\$ 164	\$ 106,092	\$ 106,256
Electronics	1,208,778	-0-	1,208,778
Metal/Wood/Plastics	123,656	157,487	281,143
Textiles/Leather	243,340	72,342	315,682
Total	\$ 1,575,938	\$ 335,921	\$ 1,911,859

1983

	Raw Materials and Supplies	Finished Goods	Total
Data/Graphics	\$ 299,852	\$ 107,386	\$ 407,238
Electronics	963,341	-0-	963,341
Metal/Wood/Plastics	512,930	5,340	518,270
Textiles/Leather	3,030,426	960,716	3,991,142
Total	\$ 4,806,549	\$ 1,073,442	\$ 5,879,991

4.) Idle Plant and Equipment, Net

Idle plant and equipment are productive assets which have not been utilized for a significant period of time and for which there is no immediate use planned. The only idle buildings are those at the Marion, Illinois Correctional Institution. The following is the capitalized value of idle plant and equipment by Product Division.

1984

	Machinery and Equipment	Buildings and Improvements	Total
Data/Graphics	\$ 204,817	\$ 405,966	\$ 610,783
Electronics	94,156	-0-	94,156
Metal/Wood/Plastics	478,474	1,454,818	1,933,292
Textiles/Leather	120,863	-0-	120,863
Total Capitalized Value	898,310	1,860,784	2,759,094
Less Accumulated Depreciation	358,702	663,716	1,022,418
Total Net Value	\$ 539,608	\$ 1,197,068	\$ 1,736,676

1983

	Machinery and Equipment	Buildings and Improvements	Total
Data/Graphics	\$ 219,928	\$ 405,966	\$ 625,894
Electronics	865,422	-0-	865,422
Metal/Wood/Plastics	989,188	1,454,817	2,444,005
Textiles/Leather	3,817,914	-0-	3,817,914
Total Capitalized Value	5,892,452	1,860,783	7,753,235
Less Accumulated Depreciation	3,693,114	613,991	4,307,105
Total Net Value	\$ 2,199,338	\$ 1,246,792	\$ 3,446,130

5.) Cost of Goods and Services Sold

These costs consist of direct material, direct inmate labor, and overhead related to finished goods sold during the year.

	1984	1983
Material	\$112,495,023	\$ 71,698,124
Labor	6,706,619	5,806,109
Overhead	44,812,310	44,452,542
Work In Process, Beginning	9,199,403	10,283,931
Less: Work In Process, Ending	13,187,835	9,199,403
Cost of Goods and Services Produced	160,025,520	123,041,303
Finished Goods, Beginning	8,646,068	8,915,196
Outside Purchases	1,945,729	992,052
Less: Finished Goods, Ending	12,554,914	8,646,068
Cost of Goods and Services Sold	\$158,062,403	\$124,302,483

6.) Other Operating Income, Net

This amount represents income derived from other than the regular operations of the Corporation.

	1984	1983
Sales of Excess Materials to Federal Agencies	\$ 1,503,266	\$ 805,948
Less Cost of Sales	1,459,543	837,698
Scrap Sales	114,876	116,724
Recapture of Donated Property Expense	139,073	-0-
Other	342,538	252,600
Total Other Income	\$ 640,210	\$ 337,574

7.) Other Expenses

This amount represents costs not charged directly to production. The reduction from FY 1983 levels is due to reclassification of some items to Support Division Expenses in FY 1984.

	1984	1983
Communication Lines	\$ 77,139	\$ 244,775
UNICOR Trade Shows	-0-	135,400
Permanent Change of Station (Staff)	363,839	331,190
Workmen's Compensation	75,425	72,000
Department of Justice:		
Reimbursable Services	7,976	81,812
Data Center Services and Costs	558,693	345,019
Inventory Write-Offs and Adjustments	1,072,393	1,269,049
Loss on Disposal of Operations Assets	264,004	445,541
Inmate Programs:		
Accident Compensation	225,358	217,305
Christmas Packages	115,990	111,754
Pre-Industrial Training	221,288	269,008
Sundry Expenses	994,618	734,757
Total Other Expenses	\$ 3,976,723	\$ 4,257,610

8.) Product Division Expenses

The Product Division expenses are those related to product development, production management and marketing of products and services.

	1984	1983
Data/Graphics	\$ 735,471	\$ 670,124
Electronics	853,413	708,629
Metal/Wood/Plastics	1,481,393	1,104,392
Textiles	1,033,207	706,646
Total Product Division Expenses	\$ 4,103,484	\$ 3,189,791

9.) Support Division Expenses

This amount represents costs of administrative functions which directly support industrial operations. Examples of support provided are industrial design of products, development and support of automated production management systems and development of new product lines. There are no comparative figures for all functions for FY 1983 due to reclassification from Other Expenses and Corporate Administrative Expense in FY 1984.

	1984	1983
Industrial Design	\$ 239,960	\$ -0-
Information Systems:		
Operating Expenses	918,032	561,468
Write-Off of Deferred Expenses	-0-	831,704
Marketing	298,163	-0-
Quality Assurance	80,248	-0-
Resources Division	1,103,762	-0-
Total Support Division Expenses	\$ 2,640,165	\$1,393,172

10.) Corporate Administrative Expenses

This amount represents costs associated with Central Office Corporate Management, and they are not allocated to product divisions, support divisions or factory operations. The reduction from FY 1983 levels is due to reclassification of some items to Support Division Expenses in FY 1984.

	1984	1983
Congressional Limitation	\$ 1,954,000	\$ 2,524,000
Civilian Salaries and Benefits	\$ 1,262,111	\$ 1,602,260
Travel	105,304	107,252
Department of Justice Audit Expenses	273,779	273,779
Rent	37,071	77,637
Telephone	11,105	23,562
Printing and Reproduction	28,862	99,723
Freight	2,125	11,476
Other	149,944	313,602
Total Subject to Congressional Limitation	1,870,301	2,509,291
Add: Depreciation of Plant & Equipment	52,533	63,511
Total Administrative Expense	\$ 1,922,834	\$ 2,572,802

11.) Non-Operating Expenses

The Corporation is authorized by charter to provide funds for Inmate Vocational Training Programs and Inmate Performance Pay (non-industrial employment of inmates in other work details). The vocational training program includes operating expenses and machinery and equipment. Operating expenses of permanent programs are subject to Congressional limitation, as are total costs of experimental programs.

	Prior Periods	Current Year	Cumulative Since Inception
Inmate Performance Pay	\$ 35,086,409	\$ 5,369,641	\$ 40,456,050
Inmate Vocational Training:			
Permanent Programs	81,325,860	4,361,132	85,686,992
Experimental Programs	1,958,016	2,771,543	4,729,559
Total Vocational Training Expenses	\$ 83,283,876	\$ 7,132,675	\$ 90,416,551

	FY 1984	FY 1983
Congressional Limitation on Vocational Training	\$ 6,613,000	\$ 6,216,000
Operating Expenses of Permanent Programs	\$ 3,502,405	\$ 3,103,335
Operating Expenses and M & E for Experimental Programs	2,771,543	1,958,016
Total Subject to Congressional Limitation	\$ 6,273,948	\$ 5,061,351
Machinery and Equipment/Building & Improvements Purchased for Permanent Programs	\$ 858,727	\$ 630,469
Total Vocational Training	\$ 7,132,675	\$ 5,691,820

12.) Discontinued Operations

These losses from discontinued factory operations at the following locations include raw materials, machinery, equipment and building improvements.

	1984	1983
Alderson	\$ -0-	\$ 22,128
Atlanta	954,724	-0-
Bastrop	185,343	189,542
Leavenworth	155,352	14,525
Lewisburg	-0-	61,099
Marion	-0-	-0-
Milan	-0-	5,756
Oxford	-0-	14,704
Petersburg	-0-	-0-
Pleasanton	-0-	47,811
Total	\$ 1,295,419	\$ 355,565

13.) Summary of Remuneration to Inmates, and Income Before Remuneration

	1984	1983
Direct Inmate Labor (Incl. in Cost of Sales)	\$ 7,022,637	\$ 6,056,543
Indirect Inmate Labor (Overhead)	7,134,101	5,693,262
Sub-Total Industrial Wages	14,156,738	11,749,805
Inmate Performance Pay	5,369,641	4,618,822
Total Remuneration to Inmates	\$ 19,526,379	\$ 16,568,627
Income Before Non-Operating Expenses	\$ 28,832,427	\$ 17,616,016
Add Back Total Industrial Wages	14,156,738	11,749,805
Income Before Remuneration to Inmates	\$ 42,989,165	\$ 29,365,821
Percentage of Remuneration to Income	45%	56%

The Corporation accounts are examined by the Audit Staff, Department of Justice, annually. Its financial statements are also subject to triennial

examination by the General Accounting Office; the last audit was conducted for fiscal year 1982 and the next is scheduled for fiscal year 1985.

Board of Directors

The six members of the Board of Directors represent varied public and private interest: labor, agriculture, industry, consumers, and retailers, defense, and the Attorney General. The Board meets bi-

annually and conducts interim meetings at different institution locations to discuss issues, vote on resolutions, and to review industrial operations.



John Marshall Briley,
President
Representing the
Secretary of Defense



William E. Morgan,
Vice President
Representing
Agriculture



Lane Kirkland
Representing
Labor



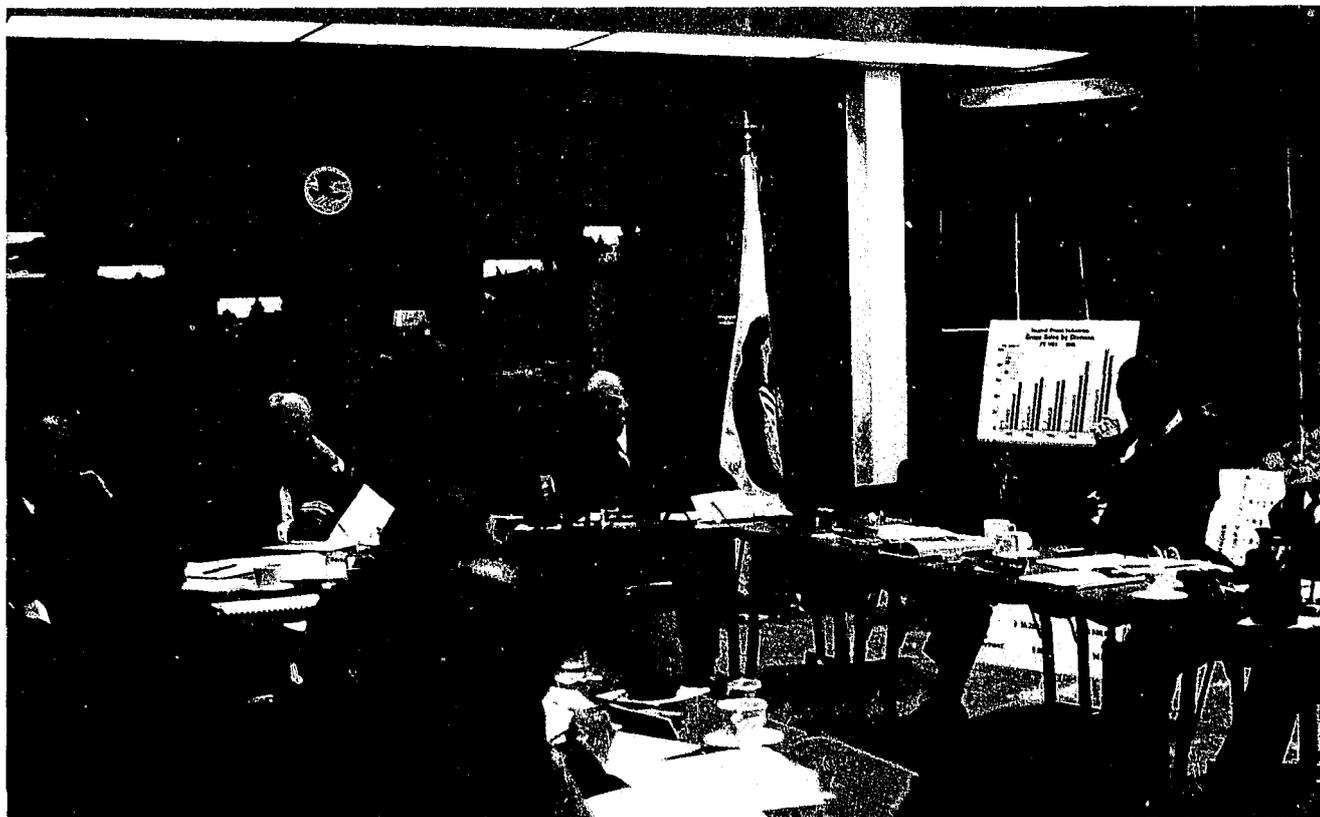
Paul T. Shirley
Representing
Industry



Monica Herrera Smith
Representing
Retailers and
Consumers



Peter B. Bensinger
Representing
the Attorney General



This Annual Report was printed by inmates at the Federal Correctional Institution, Ray Brook, New York.